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Conference
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Report of
the Mini-Conference on
"The National Dialogue for the
Business Sector"

Note: The recommendations of this document are not recommendations of the 1981 White House Conference on Aging or the Department of Health and Human Services. This document was prepared for the consideration of the Conference delegates. The delegates will develop their recommendations through the processes of their national meeting in late 1981.

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SPONSORS BACKGROUND

The EXECUTIVE BOARD is an independent, non-profit corporation based in Phoenix, Arizona. The BOARD serves as a Center for Issues Analysis, working closely with senior executives to assess the significant economic, political, social and technological developments affecting the business environment.

The EXECUTIVE BOARD is affiliated with the Western International University, a private, non-profit accredited university located in Phoenix, Arizona. Its programs are designed to meet the evolving needs of the Business Sector.

The WESTERN GERONTOLOGICAL SOCIETY (WGS), a non-profit, membership association, has served elders and those working with and for elders, since 1954. WGS is dedicated to the preservation and enhancement of independence and dignity into advanced older age. It links researchers, practitioners, older people, and most recently, business leaders into a mutually beneficial and supportive network working toward that end. Through its programs and services, WGS facilitates opportunities for communicating information, developing new service and research strategies and advocating for substantive policy issues. The Society's President - Carl Eisdorfer, Ph.D., M.D. - is a distinguished gerontologist, scientist and physician.

ADDITIONAL SUPPORT PROVIDED TO THE DIALOGUE

The Western International University provided advance funding assistance to the Dialogue.

The Atlantic Richfield Company provided their Conference Planning staff to assist with the logistics of the La Quinta meeting.

The Edison Electric Institute hosted meetings for the Planning Group and the National Business Organizations.

The German Marshall Fund contributed funds for the expenses of the European speaker, William Robbins.

TABLE OF CONTENTS

PAGE

I	INTRODUCTION
	The introduction addresses the importance of the Business Sector to the health and prosperity of the nation. Robert O. Anderson, and Marshall McDonald, Co-Chairmen of the Dialogue, challenge the Business Sector in their opening speeches, the text of which is included in the appendix. The thrust of these speeches are reflected throughout the Dialogue Report.
II	DIALOGUE BACKGROUND
	Endorsement, sponsorship, funding and the focus of the Dialogue Discussions.
III	THE DIALOGUE
	Format and Process
IV-A	BACKGROUND PRESENTATIONS: "THE PSYCHOLOGICAL AND BICLOGICAL ASPECTS OF AGING AS THEY AFFECT THE DYNAMICS OF THE CORPORATION"
	Carl Eisdorfer, Ph.D., M.D., President, Montefiore Hospital and Medical Center, gives an insightful overview of the process of aging and challenges the corporations' traditional attitudes and policies.
IV-B	BACKGROUND PRESENTATIONS: "THE EXPERIENCE OF THE EUROPEAN CORPORATIONS"
	William H. Robbins, Director of Personnel of Imperial Chemical Industries - Europa, Limited, addresses the effects of very high social support programs upon European Corporations and Governments.
V-A	LABOR PERSPECTIVE
	Howard Samuel, President of the Industrial Union Department, AFL/CIO presents a labor view of the obligations of Society to the older population, and his expectations for Corporate commitments to the older worker.

- V-B GOVERNMENT PERSPECTIVE
- Representative Claude Pepper, Chairman, Select Committee on Aging, U.S. House of Representatives, addresses the rights of the older population and its needs for income security. He sets forth his expectations for support from the Business Sector.
- VI-A THE DIALOGUE DISCUSSION -
SHARED ASSUMPTIONS
- Participants' consensus regarding Corporate social and ethical commitments to the elderly, and the social support systems upon which they rely.
- VI-B DIALOGUE DISCUSSION - COMMENTS FROM
PARTICIPANTS
- Participants' comments upon issues which could arise when corporations operate on the basis of those assumptions, raising such questions as "Who should share the responsibility?"
- VII CORPORATE CONCERNS
- These concerns, expressed by participating executives, demonstrate the range and diversity of opinion which exists in the Business Sector regarding the problems and opportunities caused by the aging of the population.
- VIII THE NATIONAL DIALOGUE FOR THE BUSINESS SECTOR
RECOMMENDATIONS TO THE 1981 WHITE HOUSE CONFERENCE ON AGING
- The participating executives propose policy options to the 1981 White House Conference on Aging and the Corporate Sector which reflects the consensus of the Dialogue.
- VIII-A WORKFORCE/PRODUCTIVITY
- VIII-B SOCIAL SECURITY/PENSIONS
- VIII-C HEALTH
- VIII-D THE MARKETPLACE
- IX APPENDIX

I INTRODUCTION

The dramatic changes occurring in the size and nature of the U.S. population are projected to continue well into the 21st Century (Figure 1). They have already created critical policy issues for government. They have spawned a fast-growing field of "Aging", and large and powerful interest groups representing the over-55 population. The demographic changes are so profound and far reaching, that no one -- individuals, families, communities, the private and public sectors -- will escape the effects. These changes will test the moral, societal, and economic fabric of the nation. They will certainly challenge the traditional concepts and approaches of the corporation toward employment and work practices, benefits and entitlements.

As government seeks to realign and reallocate resources to meet the growing needs of the older population, it is turning to the business sector to assume a larger role and a greater share of the burden. This sector is critical to the well-being of the nation. It has provided the technological and economic base upon which America has achieved its remarkable standard of living. Its success has not only contributed to the stability of the nation, it has enabled social support programs to be considered and implemented, largely through its tax contributions. Most importantly, the business sector is an integral part of our lives, from the small town to the city, from the home to the workplace. Its policies and practices affect the lives of millions of Americans. The business sector will play a significant role in charting future directions of the society.

Recognizing these factors, the 1981 White House Conference on Aging commissioned a mini-conference for the leadership of the corporate community, "The National Dialogue for the Business Sector," under the sponsorship of The EXECUTIVE BOARD and the Western Gerontological Society. Previous White House Conferences on Aging in 1961 and 1971 had no significant input from business, and the 1981 White House Conference on Aging wisely recognized the value of business participation in its public policy process. Business itself recognizes the need for creative, humane, cost-effective solutions to problems caused by the aging of the population.

In the coming decade, the Business Sector will face a new range of opportunities and/or threats directly linked to the dramatic change in the size and nature of the over-55 population. Not only will these developments impact upon existing markets, both at home and abroad, they will generate a whole new set of internal and external sociopolitical and economic pressures. If companies ignore the related critical policy issues or do not deal with them effectively, the inevitable will occur, i.e., pressures will lead to government actions in response to legislative and labor demands. In his address to the Dialogue, Dr. Carl Eisdorfer, noted physician and gerontologist warned:

"There is no way that corporate life in the United States or throughout the world is not going to be affected by the profound increase in the longevity of people and the major shift in resources required to meet their needs, particularly in areas like health. If we let the government do it, then I think we shall be faced with minimal standards, a large and complex bureaucracy, a leveling effect, and, in all probability, a reduction of options. Government rarely gives options. It's the Corporate Sector that offers the opportunity to develop unique options."

Since 1973 the reality of limited resources and growth has raised the spectre of a reduced standard of living in America at a time when the working population had developed its highest set of expectations and entitlements regarding retirement. There also emerged, following these events, a renewed public concern over government regulations and involvement that was partly responsible for the election of a new administration in 1980. America's corporations, while being relieved of some of the burden of government regulations, face new dilemmas as government attempts to shift more of the financial responsibility of maintaining an older population to the private sector. These challenges occur in an era when U.S. Corporations face severe competition worldwide, lowered productivity at home, and new pressures to rebuild industrial capacity. Thus the questions are raised, "How should the responsibility be shared in assuring the economic well-being and security of the older population? How should existing resources be allocated, given the stresses on the economy?"

Business executive, Robert O. Anderson, co-chairman of the Dialogue, reminded participants:

"The American business system has, in the past, proven itself both creative and resilient, able not only to survive change but to initiate change in ways that benefit individual enterprises and the country at large. The aging of America will bring change to all aspects of business. How well we deal with this change will be determined by the imagination, generosity, and hard-headed business sense we bring to bear on the problem. This Dialogue gives us a perfect opportunity to begin."

II DIALOGUE BACKGROUND

The National Dialogue for the Business Sector which was held in La Quinta, California, March 5-7 brought together senior executives from more than 60 American Corporations. The Dialogue, the first conference of its kind, was organized by The EXECUTIVE BOARD, a Business Environment Analysis Center associated with Western International University, Phoenix, Arizona. It was sponsored by The EXECUTIVE BOARD and the Western Gerontological Society.

Funding was provided by The White House Conference on Aging, the Corporation for Older Americans, Atlantic Richfield Company (which also provided in kind assistance), International Business Machines Corporation, I.T.T. Continental Baking Company, Prudential Insurance Company of America, Standard Oil Company of California, Sun Company, Fluor Corporation and The German Marshall Fund.

Corporate Executives representing a cross section of American Business paid their own expenses while The Dialogue sponsored the non-corporate resource participants.

Discussion topics for the Dialogue were carefully selected following thorough consultations with senior business executives, human resources managers, national business organizations, specialists from the major policy and research institutes, gerontologists and the Dialogue planning group.

Working briefs were commissioned for each workshop. These set forth the principal dilemmas and options for each issue as well as a list of the major groups addressing the issues, and the official positions of these groups.

The Dialogue addressed four major areas within a business context and raised these specific questions:

WORKFORCE/PRODUCTIVITY - What impact will an aging workforce have on productivity? How can the corporation strengthen its competitive position while responding to (1) changes in the composition and nature of the workforce; (2) in retirement age and age-discrimination legislation and (3) in employee expectations regarding training, education, health programming, life planning, and retirement options?

HEALTH - What options exist for dealing with the rapidly escalating costs of health care related to an aging workforce and the changing ratio of retirees to active employees?

PENSIONS AND SOCIAL SECURITY - What options does the corporation have for responding to the rapidly rising cost of pensions, Social Security and other government-mandated programs? How does business

address this issue in light of the deterioration of existing pension programs in an inflationary economy, and new pressures on the corporation to meet the heightened "welfare and security" expectations of the workforce?

THE MARKETPLACE - What impact will the over-55 population have on the marketplace as consumers, owners and as a political force. To what degree should future research and development be directed to new products, product adaptation, and services for this age group?

III THE DIALOGUE

Robert O. Anderson, Chairman of the Board of Atlantic Richfield Company, and Marshall McDonald, Chairman of the Board of Florida Power and Light Company, co-chaired the Dialogue and participated in the discussions. Mr. Anderson formally opened the Dialogue, and focused his remarks on, "Off the Shelf: New Opportunity for Older Americans." Mr. McDonald addressed "The Aging of America: Implications for Corporate Policy." (The text of both these speeches appears in the appendix of this report).

The participants gave thoughtful and serious attention to the issues, as demonstrated by the sharpness of their comments recorded in this report. They welcomed the opportunity to share views and opinions, not only with their colleagues, but also with policy makers from adversary and advocacy groups.

The Dialogue has reinforced the value of assembling policy level Executives from various industries in a "risk free" forum which encourages diverse opinions to surface and the issues to be addressed in broad socio-economic dimensions.

Dialogue invitations were extended to policy-level executives of major U.S. corporations, in recognition of the key role these companies play in the public and private sectors. Invitations were also extended to several smaller companies. Corporate participation was limited to senior policymakers since the issues discussed demand significant corporate policy choices and actions.

A format of panel debates, workshops and plenary discussions helped to stimulate the forthright expression of opinions, and to clarify corporate perspectives on the issues. Background presentations offered insight into the phenomenon of the aging of the population as well as the basic assumptions and key expectations of government and labor. They also exposed the societal and ethical questions implicit in the economic issues.

These background presentations, combined with the Co-chairmen's addresses, set the stage for the Dialogue discussions. They are summarized in the following pages.

IV BACKGROUND PRESENTATIONS

IV-A "THE PSYCHOLOGICAL AND BIOLOGICAL ASPECTS OF AGING AS THEY AFFECT THE DYNAMICS OF THE CORPORATION". (Highlights of a paper presented in plenary session by Dr. Carl Eisdorfer, President Montefiore Hospital and Medical Center, Bronx, New York)

Modern research is demolishing many myths about aging -- that the abilities of older people invariably are in serious decline, that older workers are slow learners, that their minds do not function well, that they are disengaged and apathetic, that they are frail and unable to stand stress, that they "cause problems" for employers and are no longer productive. These generalizations can be dangerous and counterproductive. New knowledge about this very rapidly growing segment of the population suggests that all American institutions, including business and labor, should re-examine many traditional attitudes and beliefs. The growing body of evidence indicates that, far from presenting a "problem" for the nation, the elderly present the nation with an opportunity. Instead of being a liability, older people are a valuable human resource that America can no longer afford to waste. Age is the only condition toward which we are bigoted yet to which we all desperately aspire.

The predominant myth that old age is nothing more than a period of functional loss is bolstered by a misinterpretation of the fundamental biological fact that aging is accompanied by the loss of body cells. It is known, for example, that the number of cells in the central nervous system does decrease with age. What is all too often ignored, however, is the great redundancy of cells in the central nervous system. The human brain has an over-supply of billions of nerve cells so that their loss through life is not at all synonymous with a loss of mental ability. Furthermore, experience is a major offset even to physiologic loss, i.e., the use of older astronauts in this regard. What is more important in determining the functional ability of an older person is not how many cells a person has lost over a lifetime, but rather what is present and the state of physiological integration which exists between the various organs and cells. Since individuals vary greatly in the rate at which they lose this physiological integration, it is simply inaccurate to regard all old people as being in a process of rapid decline and diminishing usefulness.

An especially pernicious myth is that senile dementia and other diseases are inevitable if one lives long enough, for it implies that older workers must be taken out of the labor force before they "make a mess of things." It is true that many diseases are more common among older people, but these are by no means inevitable for the majority of older workers and it must be recognized that a strong tendency exists for older workers to select themselves for retirement when they do not feel well, provided they

can afford to retire. There simply is no biological basis for mandating retirement for all who reach a certain age. It is productivity, not gray hair and wrinkles, that needs to be examined.

Another myth is that old people are unable to handle stress. It is important for managers to remember that older people are survivors, indeed their survival attests to their ability to manage stress successfully. Their experience, in many ways, allows them to deal more successfully with the stresses of life than younger persons.

If the nation persists in believing old myths, seeing older people in a negative light, not using them productively, and putting them "on the shelf" merely because of age, nearly one in five Americans will be dependent, or close to it, in a few decades, and a major shift of resources will be required to care for them. Already, health care costs in the United States are about 10 percent of the gross national product (most of the costs are for hospital care), and the elderly account for a disproportionate share of these costs.

It is, therefore, naive for corporations which are contributing vast sums directly to health benefits and to other human services through taxation, to think they do not have a stake in the costs of maintaining the health and productivity of an aging population. Industry can either develop plans to make productive use of older people, or pay more taxes so that governments can care for them. In either case, the corporation has to pay.

Traditions of the private sector that are barriers to the effective use of older people must be examined. One such tradition is the view of corporate life as a "ladder" to climb: early in life one gets onto the bottom rung and moves upward, only to fall off when the top is reached and never to be heard from again. A "lattice" might be considered as a more appropriate model for an aging workforce. A lattice, by allowing movement in all directions on the basis of an individual's changing interests, abilities, and talents, would allow maximum individual growth and contribution while minimizing the impact of negative stereotypes.

Another important role of the older worker in the corporate setting that can be enhanced is that of teacher and role model for younger workers. A thorny question is involved in using an older worker in this way; however, can a worker whose primary loyalty may be to a union also function comfortably in the role of socializing younger workers to the values and needs of the corporation? The answer depends on how well management and labor can cooperate in dealing with the issue of loyalty to whom and for what purpose.

Older workers need continuing education and training to stay productive. Though they are a repository of vast experience and talent, we concentrate all of our education and training resources

on the young. In doing so, we push older people out of the central information pool and, thereby, create a kind of forced obsolescence. This pattern is as wasteful as buying a new car, filling the tank with gasoline, then abandoning the car when the tank is empty.

Another important task corporations should consider is preserving older workers' identification with the corporation after retirement -- by preparing them for retirement, even offering them training for other occupations and then using this talent pool on a fee-for-service basis.

Negative stereotypes about older workers, our American "youth culture," and traditional hiring practices that discriminate against the elderly are among the major forces that tip the scale toward restraining the extension of working life. However, several powerful forces are at work that are likely to alter the balance in the other direction. These include the rapidly rising cost of Social Security, the need for corporations to retain the talents of older workers, and the economic and psychosocial needs of older workers to stay on the job. (Figure 2.)

The cultural stereotype of the older person as helpless, hopeless, and decrepit is a form of bigotry. As with the racism, the damage arises not only from what the majority feel about the minority, but from what the minority are made to feel about themselves.

The stereotype is self-fulfilling: Older people accept the prevailing myths that they are infirmed, that they can only deal with their problems medically, that they have to function in ways that make them seem old. Corporate leaders have bought the myths of agism, too, although the psychological mechanisms of denial usually prevent individuals from applying such beliefs to themselves ("everybody is alike except I'm different"). We must all realize that by perpetuating agism, we, too, are likely to become its victims, if we live so long.

This approach should not be considered "pie in the sky." The demographics and economic changes are highly predictable, at least for the next three or four decades. The data are there, and the alternatives may be readily ascertained by anyone with the wisdom to address the issues. We either face the significant personal and social problems of a burdensome and dependent older population or we alter our way of doing business to position ourselves to deal with the changing population and the opportunities it presents. Once again, the choice is in our hands.

IV-B "THE EXPERIENCE OF EUROPEAN CORPORATIONS"

(Highlights of a paper presented in Plenary Session by William Robbins, Director, Personnel, Imperial Chemical Industries - Europa, Brussels, Belgium)

Western Europe and the United States are experiencing similar demographic changes. European countries, therefore, face many of the same problems arising from the growth of the older population that this country does. However, their approach to these problems is quite different. In general, there is very little serious discussion in Europe about growth of the older population and the associated cost.

In contrast to the United States, the question of abolishing mandatory retirement age is not on the political agenda in any European country. There are three basic reasons for this: (1) European political systems and social values make it far more difficult for pressure groups to affect established political parties; (2) European Social Security systems, much older than the American Social Security system, have extended the amount and range of benefits to a far higher level since World War II, and are, therefore, a much more important part of the total provision for retirement (see Figure 3); and (3) there is greater concern about unemployment, especially youth unemployment which has risen since 1974 to equal or even exceed U.S. levels and is regarded by most European countries as their most pressing social problem.

High unemployment among European youth has shifted both government and corporate attention to early retirement as a solution. Usually, the emphasis has been on voluntary early retirement, but in many situations the degree of voluntarism is low. For example, government aid to rescue ailing business often is given on condition that older workers be retired early, often as early as age 55. Although this approach effectively redistributes unemployment toward older workers, there has been no significant outcry that the practice is socially unjust. Indeed, a significant proportion of workers in many European countries strongly favor early retirement (Figures 4 and 5). This may be due partly to the fact that many early retirees supplement their retirement incomes by moonlighting in the so-called black economy, the fastest growing segment of the economy in many European countries.

Most European schemes for early retirement feature high benefit levels. In Belgium, workers over 60 who are retired for economic reasons receive half the difference between the rate of unemployment benefit and their net earnings, subject to a salary ceiling that continues until the normal state pension age of 65. In Denmark, workers 60 or older who voluntarily give up their jobs receive 90 percent of their average earnings for two and a half years, 80 percent for the next two years, then 60 percent until they reach the normal pensionable age of 67. In France, workers 56 and 3 months of age, who are retired for economic reasons, receive 90 percent of their final salary for one year, then 45 percent until age 60, after which they receive 70 percent of final salary revalued for increased cost of living since retirement. West Germans who retire early at age 59 can draw a high unemployment benefit until age 60, then receive the full state pension if they have a contributory record of 35 years.

In countries where the level of government protection is not that high, for example, the United Kingdom, many corporations use early retirement as a way to ease their financial difficulties. In theory, early retirement is voluntary in such companies, but the reality is that pressure from management and from colleagues results in few people staying on the job until normal retirement age.

Will the pressures that exist in the United States appear in Europe? Probably not in the short run. However, two factors are operating that eventually may lead to some convergence in American and European thinking. First, demographic projections show that after 1990 the European Economic Community's working age population will fall, and its older population will rise to comprise an even higher proportion of the total population than in the United States. Second, European Social Security systems are becoming increasingly strained; the Belgian state pension system, for example, is almost bankrupt. (Figure 6 shows the range of employer and employee contributions to state Social Security for all purposes. Figure 7 indicates the high proportion of national income which is going to Social Security and other state expenditures). Eventually, European countries will have to reconsider their policies, especially on early retirement. At the present time, however, there is little perception in Europe of the major problems that will have to be faced later in the century. Could the United States avoid the problems besetting European state-run systems by giving corporations a greater role in providing for the health and retirement income of the aged? Unfortunately, the problems involved in these areas are beyond the capacities of the business sector to solve. A national public system is needed, but that system must be kept within the bounds of economic reality.

V A LABOR AND GOVERNMENT PERSPECTIVE

Labor and government perspectives were presented in two background presentations, both of which are summarized in the following pages in the form of assumptions, and expectations of the corporate sector. A labor perspective is drawn from the address by Howard Samuel, President of the Industrial Union Department, AFL/CIO, and does not necessarily represent all labor views. A government perspective is summarized by Representative Claude Pepper, Chairman of the House Select Committee on Aging. The views of the current Administration were presented in the panels and workshops by individuals who are serving as advisors to the current Administration and by many of the corporate participants. They are reflected in the recommendations and in the sections on Dialogue Comments and Corporate Concerns.

V-A A LABOR PERSPECTIVE: Howard Samuel, AFL/CIO

ADEQUACY OF RETIREMENT INCOME - ASSUMPTIONS :

- Adequate retirement income is an obligation of society and an expression of our most ancient ethical and religious principles.
- "Adequate" implies an entitlement commensurate with the pre-retirement standard of living and generally means 65-85 percent of pre-retirement gross income.
- Personal savings are unlikely to contribute significantly to post-retirement security and income for many workers.

ADEQUACY OF RETIREMENT INCOME - EXPECTATIONS:

- Labor expects the business sector to be committed to the preservation and selective expansion of social legislation and tax policies that facilitate the economic well being of older Americans.

SOCIAL SECURITY AND PENSION SYSTEMS - ASSUMPTIONS:

- Social Security as a universal system is the most feasible, stable, and fairest way to combat income inadequacy in retirement.
- The funding crisis of the Social Security system is short-term.
- Private pension plans have flourished because of favorable tax treatment for employers. Similar incentives for employees would not motivate those at or below average incomes, demonstrated by extremely low participation in Individual Retirement Account programs.
- The performance of pension funds has been dismal, and their investment criteria have been self-defeating.

SOCIAL SECURITY AND PENSION SYSTEMS - EXPECTATIONS:

- Labor expects the business sector to share the belief that the Social Security system and private pensions are the major components of retirement security.
- Labor expects the business sector to share the belief that emphasis must be placed on Social Security and that it be funded on an interim basis from general revenues.
- Labor expects the business sector to work to perfect the process of pension portfolio management and to involve labor actively in fund management decision processes.

RETIREMENT AGE - ASSUMPTIONS:

- Most workers do not see their work as their principal avenue of self-fulfillment.

- Without full employment, workers should not be encouraged to stay on the job because it would limit considerably the ability of the young and the unemployed to enter the workforce.

RETIREMENT AGE - EXPECTATIONS:

- The business sector should not support postponing the age at which workers can collect Social Security.
- The business sector should not encourage older persons to stay on the job unless they want to.

GOODS AND SERVICES FOR THE ELDERLY - ASSUMPTIONS:

- The aging population will need goods and services not presently available, including specialized health care and recreational facilities.

GOODS AND SERVICES FOR THE ELDERLY - EXPECTATIONS:

- The business sector should recognize both the opportunities and the responsibilities associated with the aging of the population.

V-B A GOVERNMENT PERSPECTIVE: Rep. Claude Pepper (D) Florida

ADEQUACY OF RETIREMENT INCOME - ASSUMPTIONS:

- All older Americans deserve an adequate and satisfactory income which ensures a comfortable standard of living.
- The large number of elderly individuals near or below the official poverty line is a national tragedy that requires immediate resolution.

ADEQUACY OF RETIREMENT INCOME - EXPECTATIONS:

- The business sector should develop private initiatives (pensions, savings) and support legislative programs designed to substantially improve the future retirement security of all Americans.
- The business sector should support retirement income security programs that are especially sensitive to the most needy among the population, while at the same time preserving equitable financial incentives for all groups and expanding investment capital for the nation as a whole.

SOCIAL SECURITY, PENSION SYSTEMS AND RETIREMENT SAVINGS ASSUMPTIONS:

- Retirement income is based on the concept of a three-legged stool. Social Security, pensions and private savings, and all three legs should be further strengthened.

- Social Security is the bulwark of the retirement income system and its financial integrity and fundamental principles should be retained and reinforced.
- The long- and short-term financial difficulties faced by the Social Security system can be resolved responsibly without jeopardizing the retirement plans of older Americans, but further expansion of the system will be difficult due to public resistance to increased taxes.
- The private pension system has expanded because of favorable tax treatment, but its lack of coverage of nearly half of the workforce necessitates further government action to increase pension protection.
- Retirement savings have benefited only the wealthiest segment of the population, but with appropriate tax incentives low and moderate income persons could be encouraged to increase their savings behavior substantially.

SOCIAL SECURITY, PENSION SYSTEMS AND RETIREMENT SAVINGS - EXPECTATIONS

- The business sector should continue to support the Social Security system as the most efficient means meeting the basic income needs of older Americans.
- With proper incentives from government, the business sector should willingly increase pension coverage for all workers by lowering vesting standards and developing coverage where none presently exists.
- The business sector should not waste productive potential nor jeopardize the economic stability of pension funds by encouraging early labor force withdrawal using non-actuarially reduced early retirement incentives.

RETIREMENT AGE - ASSUMPTIONS:

- Work is a critical source of income and fulfillment for individuals of any age.
- All members of society should be granted equal employment opportunities, and under no circumstances should the job of an older person be taken away to make room for a younger person.
- Attempts to keep older workers on the job longer should rely on the use of economic and social incentives rather than mandatory increases in the entitlement age for retirement benefits.

RETIREMENT AGE - EXPECTATIONS:

- The business sector should eliminate all age biases in personnel policies and practices and allow older persons to move freely in and out of the labor force free of discrimination.

- The business sector should eliminate all disincentives to delayed retirement and should make early retirement incentives more realistic.
- The business and union sectors should encourage greater job flexibility to enable older workers to remain employed longer without forcing them to retire or stay on the job.

GOODS AND SERVICES FOR THE ELDERLY - ASSUMPTIONS:

- The growth of the aging population, especially among the oldest of this age group, necessitates development of innovative goods and services to meet its needs.

GOODS AND SERVICES FOR THE ELDERLY - EXPECTATIONS:

- The business sector should direct its research and development efforts toward products and services that better serve a diverse older population.

VI THE DIALOGUE DISCUSSIONS

William Kieschnick, discussion leader, presented the following assumptions as "givens" to the Plenary Session. Participants did not challenge them and thus they became the underlying theme of subsequent discussions.

VI-A SHARED ASSUMPTIONS

- We will not abandon the elderly. We (the business sector) won't leave our elderly on 'an icy bridge in the winter.' It is in our tradition and cultural heritage not to abandon the aged.
- The Health and Well-Being of Our Older Citizens Is, In Aggregate, Under-financed. The problem is compounding with time; in some areas, the aged are not getting enough from society; while in other areas, they are perhaps getting too much.
- The Social Security system is a social contract of long duration. It is an accepted political reality. It has accumulated political consensus and is worth preserving and making viable. This does not preclude the probability of useful and appropriate amendments.
- Private pension plans should be a fundamental source of retirement income. For the most part, private pension plans are viable, and they are widely accepted in principle and could be extended. They should be a fundamental element in the overall solution to retirement income.
- It is necessary and valuable for individuals to contribute to their own retirement income, both by personal savings before retirement and through extended employment; if they are able.

VI-B IMPLICATIONS: COMMENTS FROM PARTICIPANTS:

- "We aren't going to leave them on an icy bridge because they aren't going to let us. There is no more politically powerful group than the aged, and if we aren't fair in the way we treat them, they can make us behave in ways that might not be good for the economy as a whole. The aged, like the young and everyone else, ought to get a fair deal."
- "It's very easy to say, of course, 'We don't want them abandoned, we don't want them starving, we don't want them to have bad health care.' But we may have to question whether we can meet each and every expansion of benefits and commitments that has been made to the aged over the past decade or so in quite the way we have. Should they be totally exempt from contributing (which will increase the burden for others?)"
- "Should the Reagan Administration leave largely intact programs that directly benefit the elderly (Medicare, Social Security and Supplemental Security Income), rising allocations for defense may require drastic cuts in social programs, or alternatively, increased taxes and inflation to maintain social programs for all groups. It is, therefore, necessary to ask whether the elderly should be totally shielded at the expense of other groups from the effect of these new realities?"
- "There is also tremendous pressure in austere times like these to shift costs to the corporations, to make them pay for social programs through higher premiums, higher payrolls, and higher taxes but all these costs could ultimately reach the public in the form of higher prices."
- "There is no such thing as a free lunch. The growth of the older population is going to cost somebody money, whether it is the government, the corporations, or older people themselves. The task the nation faces is not to pretend we are cutting costs by shifting them, but to find more efficient ways to deliver the benefits the elderly are entitled to. This is a difficult task."
- "To what degree should corporations respond when the workforce turns to them for assurances of their own future health needs, and for help with caring for their elderly family members in order to avoid spending down? (i.e., depleting assets to cover the difference between Medicare payments and medical costs) What, in fact, is the real cost of caring for the aged, what does it take to 'cover the bridge?' As a nation, we are very prone to accept gimmick solutions that purport to hold down costs but in reality only shift them. The decision to limit Medicaid, for example, will not lower costs but will shift them to fall most heavily on the family."

- "One of the myths that needs to be exploded is that families don't care about their aged relatives. That is just absolute nonsense. Most families care so much that by the time the older person goes into an institution the family is drained emotionally and financially, and very often there are family splits. Nobody has really looked at the incremental costs of this kind of stress."
- "It is possible that development of community-based alternatives for long-term health care, for example, helping families take care of their elderly, would be less costly than institutional care. But this requires us to abandon the notion that the burden must be either on the family or on the government and instead to start thinking of new partnerships."
- "Corporations must pay attention to the return on their health investment dollars, particularly hospital costs, and support the development of innovative health delivery systems, especially health maintenance organizations (HMOs). Although HMOs appear to offer a viable cost-effective alternative to the present pay-as-you-go system, they are perceived as loaded with federal regulatory requirements. The fundamental reason why HMOs only serve 4 percent of the population is that the incentive structure favors traditional, private, fee-for-service systems and is heavily weighted against innovative programs."
- "The lack of a CRISIS ATMOSPHERE here at La Quinta is surprising, given the fact that (a) we have a crisis in health care where a third party pays the bills and the party who sells the service determines the level of service or (b) there is a crisis in the pension area, where no one saves for his old age and everything is on a pay-as-you-go basis."
- "The base of the Social Security fund should be expanded by including coverage of federal, state, and local government employees, but the range of benefits should not be expanded. Social Security should be regarded as a 'floor protection.' Older workers should be encouraged to stay in the workforce on a voluntary basis as long as they don't draw Social Security."
- "Some of you should try mining coal or running sewing machines, or standing before an open hearth, or some other odds and ends of the industrial scene. It just takes the need to imagine doing that kind of job for 30 years to realize that for many people it is not the ultimate fulfillment of why they were placed in this mortal world. Thus, if retirement is afforded them, even at age 62, they will take it."
- "People need incentives to make long-term savings for their old age. Letting the earnings in a retirement savings account be tax-free is fine, but it's not much of an incentive for low-income people who don't pay a lot of taxes. Some consideration

should be given to the German system of adding a governmental bonus to individual retirement savings accounts that have been maintained for a period of time, say, seven years."

- "The key question evolving is how are we going to generate through supply side economics, the kind of productivity and kind of products that will allow us to meet the kinds of promises we've made?"

VII CORPORATE CONCERNS

In identifying and assessing the implications of meeting the needs of an aging population, Dialogue participants voiced a series of concerns to corporations. These concerns do not represent a consensus, rather they indicate the range of opinion and the participant's perceptions of the nature of the problems that could arise in working to meet the needs. They are summarized below:

Business is concerned that:

- It will be forced to expand its interpretation of social responsibility beyond the traditional "providing the goods and services and the employment of human resources of society in the most efficient, socially acceptable ways that are practically achievable."
- If it does not respond effectively to the issues, someone else will do it for them with results that may be contrary to business interests and a strong economy.
- The adversarial relations of the past between business and government and business and single-issue interest groups, if increased, will limit the ability of business to create opportunities for the advantage of society.
- Increasing social and political pressures will absorb resources and divert attention from the management and operation of the corporation at a time when major corporate initiatives are needed to revitalize many industries.
- The poor performance of some pension fund portfolios will lead to increased involvement of labor in the management of those portfolios, thereby shifting the objective from achieving maximum return on investment to one of implementing social philosophy.
- Traditional attitudes toward age-65 retirement may prevent implementation of programs to encourage older workers to stay in the workforce; it is questionable whether government will develop constructive policies to encourage corporate attempts to keep older workers on the payroll.

- Implementing a policy to determine when an older worker needs retraining could be very troublesome; for example, will an employee or society accept a reduction in pay or responsibility if assessment shows that the employee's capability has slipped below company performance standards?
- The corporation will be pressured to spoon-feed older workers and not hold them responsible for their performance as they do younger workers.
- The corporation's historic inability to participate in the restructuring of public and private mechanisms to provide income security, will persist.
- Corporations are beginning to lose the services of a whole generation of people trained in every conceivable occupation because of existing corporate attitudes and retirement policies.
- The effects of the changing dependency ratio (3 workers for every retiree today, projected to 2 workers for every retiree in the year 2000) will jeopardize all existing retirement programs.
- Some viable options will be excluded from consideration because they do not provide equal benefits for all.
- Government is likely to impose a mandatory pension system on the corporate sector, a dangerous precedent and one that would increase the already high level of social costs borne by the corporation.
- Proposals for faster vesting in pension programs and for pension portability could facilitate employee mobility and thereby erode one of the major benefits of pension programs from the corporate viewpoint, namely, a stable workforce.
- Retaining employees beyond the traditional retirement age would limit the number of career development opportunities for younger workers and make long-range human resource planning increasingly difficult.
- Continually rising Social Security taxes may affect younger workers' attitudes toward the aged and toward their own retirement, as well as their attitude about the adequacy of their own disposable income; this could reduce their productivity.

VIII THE NATIONAL DIALOGUE FOR THE BUSINESS SECTOR RECOMMENDATIONS TO THE 1981 WHITE HOUSE CONFERENCE ON AGING

The recommendations of the National Dialogue for the Business Sector are presented in the following pages. They were taken from the plenary reports of the workshop chairmen and edited with the assistance of those who developed the workshop briefs.

The overviews were drawn from the transcripts of the Dialogue and the plenary and panel discussions. This Dialogue report with its recommendations was circulated to all Dialogue participants for comment prior to submission to the 1981 White House Conference on Aging. The recommendations represent the consensus of participants in the Dialogue.

VIII-A WORKFORCE/PRODUCTIVITY

OVERVIEW:

The composition of the workforce will begin to show significant changes in 1980 as the post World War II "baby boom" generation moves into the 25-44 age group. By 1990, there will be 5 million fewer people in the 16-24 age group, and 5 million more people in the over-65 group. This dramatic shift will create dilemmas for employers already concerned about productivity. The projected shortage of the new entrants into the workforce coupled with the continuing shortage of experienced employees in key skill areas could force employers to find ways of extending the working life of the older employees in order to fill the gaps.

Business Executives taking part in the Dialogue identified management attitude as the key determinant of workforce productivity. This suggested that the problem of productivity of the older worker is more a perception than a reality. Never-the-less, it is a perception that often leads corporations to conclude that early retirement may be the only recourse for workers regarded as no longer productive. More importantly, the worker senses this perception and begins to believe it.

The new techniques evolving in competency assessment need to be carefully utilized in the future to avoid stigmatizing the older worker, particularly when assessment is linked to "retention" rather than performance. Corporations would be wise to ignore age and focus on competency. The role of the skilled worker could be expanded to assist with the upgrading of younger employees.

RECOMMENDATION 1

PRIVATE INDUSTRY SHOULD BEGIN TO UPDATE AND EXPAND EMPLOYEE TRAINING PROGRAMS TO MEET NEW AND CHANGING REQUIREMENTS OF CURRENT EMPLOYEES AND THOSE RE-ENTERING THE WORKFORCE. THESE PROGRAMS SHOULD BE IMPLEMENTED WITH EXPERIENCED AND MATURE WORKERS IN MIND.

Projected shortages of experienced personnel in key skill areas and a continued need to update or modify manufacturing and production methods makes it mandatory that access to retraining opportunities be provided and tailored to the learning styles and capabilities of workers at all ages. New entrants to the labor force, as well as those who re-enter, often discover that corporate training programs are not geared to their learning styles and backgrounds. Older workers may require slightly longer learning

times than others, but can and do perform at comparable levels of mastery when given instructions in a format that accommodates their learning capabilities.

RECOMMENDATION 2

GIVEN THE DIVERSITY OF NEEDS EVOLVING AS THE WORKFORCE AGES, MANAGEMENT AND LABOR SHOULD COLLABORATIVELY DEVELOP BENEFIT PLANS TAILORED TO CORPORATE AND EMPLOYEE NEEDS.

The retention and motivation of the mature worker, beyond what is often thought to be the normal retirement age, will require individualized benefit plans that reflect the unique needs of workers whose families have grown up and who may seek options other than maternity benefits. Such packages are now becoming a reality as computers are used as a tool for keeping track of the many permutations and combinations of benefits available. Individualized benefit plans not only will provide selective incentives to employees to continuing working beyond the normal retirement age, but will help insure that their health care needs will be met.

RECOMMENDATION 3

CORPORATE MANAGEMENT AND WORKERS THEMSELVES SHOULD COLLABORATIVELY DESIGN WORK PROGRAMS APPROPRIATE TO THE INTERESTS AND CAPABILITIES OF THE MATURE WORKER.

Job sharing and job rotation, out-placement programs, more part-time work, more flexible working hours, and phased retirement programs would not only help to expand job opportunities they would serve to accommodate worker capabilities and career interests without adding appreciably to the cost of doing business.

RECOMMENDATION 4

CORPORATIONS SHOULD UNDERTAKE INTERNAL CAMPAIGNS FOR THEIR MANAGEMENT AND EMPLOYEES, AND COOPERATE NATIONWIDE WITH LABOR AND GOVERNMENT, ON CAMPAIGNS TO REFUTE THE STEREOTYPIC PERCEPTIONS OF THE ABILITIES AND POTENTIALS OF OLDER WORKERS.

Some employers still view early retirement as a desirable way of getting rid of workers who are above average in take home pay but below the norm in performance (often because they have become trapped in narrow fields of endeavor). The corporations should carefully evaluate the implication of such a policy. If the prevailing view is one of disenchantment with mature worker performance, then that attitude is likely to effect and shape such workers' opinions of themselves, with the result that these expectations become self-fulfilling prophecies.

RECOMMENDATION 5

BOTH PUBLIC AND PRIVATE DONATIONS SHOULD SUPPORT THE ORGANIZATION OF COMMUNITY BASED TEMPORARY EMPLOYMENT PLACEMENT CENTERS FOR THE EXPERIENCED, RECENTLY RETIRED WORKER.

Many retirees are discovering that their income needs and desire to stay active, even on a part-time basis, create a growing demand for guidance and counsel on ways to find appropriate outlets for their talents. Corporate officials, labor union representatives, and government leaders need to jointly plan and implement ways in which information and placement services can be provided.

RECOMMENDATION 6

PAST EMPHASIS UPON A POLICY OF EARLY RETIREMENT SHOULD BE MODIFIED IN LIGHT OF THE CHANGING DEMOGRAPHY OF THE WORKFORCE, TO GIVE EMPLOYEES THE OPPORTUNITY TO CONTINUE WORKING BEYOND RETIREMENT AGE.

Projected shortages of skilled workers, the reliability and organizational commitment of the older worker, and the recently developed measures of competencies make it increasingly desirable for employers to reconsider old practices and stereotypes that result in a continuing pattern of increasingly early retirements. Restructuring production procedures, reassessing employee benefit plans, and opening up opportunities for job rotation and reassignments would help employers adapt to the changing character of the workforce.

VIII-B PENSIONS/SOCIAL SECURITY

OVERVIEW:

An extensive system of providing for the retirement income needs of America's older population has evolved over the years. This system is based upon the so-called "three legged stool," comprised of Social Security, private pensions and individual savings, supplemented when practical by a fourth leg -- the opportunity to continue working.

The basic premise underlying national retirement income policy is that the nation should ensure its older population an adequate and secure retirement income which is reasonably related to one's pre-retirement standard of living.

The most serious problem the nation faces in achieving retirement income security is inflation. The problem is not only one concerning the level of inflation, but also the inability to predict that level. Inflation affects both short-term and long range planning for the funding and setting of adequate benefit levels for Social Security and private pensions. It also creates a serious disincentive for individual savings. Continued low productivity, coupled with high inflation, cannot support the expansion of private pensions and private savings or maintain Social

Security. Expansion of retirement benefits is feasible only in an economy with a rising level of general wealth generated by increases in productivity.

In general, the Dialogue participants agreed that our retirement income goals could best be accomplished by maintaining the Social Security system as a basic floor of protection for all workers, financed by payroll taxes shared equally by employers and employees. Individuals and their employers should be encouraged to build on top of this basic floor by providing incentives for the expansion of voluntary private pension plans and private savings. In addition, industry and government should explore innovative options to encourage older workers to continue in the workforce.

PENSIONS

RECOMMENDATION 1

THE EXISTING PRIVATE PENSION SYSTEM SHOULD BE STRENGTHENED BY GOVERNMENT POLICIES THAT ENCOURAGE INDIVIDUALS AND THEIR EMPLOYERS TO MAKE PROVISIONS FOR RETIREMENT INCOME BEYOND THE FLOOR OF PROTECTION FURNISHED BY SOCIAL SECURITY. HOWEVER, PRIVATE PLAN COVERAGE SHOULD NOT BE MANDATED.

The American system for retirement security is not simple, uniform and compulsory; it is, rather, complex, multi-faceted and voluntary. The strength of the system lies in its diversity. It is in fact, not a system but rather a series of specific reactions to different circumstances. Accordingly, proposals for improvement should be tailored to specific situations.

Any review of the private pension system in this country must take into consideration the short duration of its development. Private pensions in the United States date back only 35-40 years, and the evolution of this system in this relatively short period of time is remarkable, and its continued evolution and expansion should be encouraged.

Government policy should be designed to encourage further development of the voluntary system. The current regulatory environment discourages formulation of new plans, increases the incidence of plan terminations, and interferes with normal business practice. Specifically, needless reporting should be eliminated, prohibited transactions rules for qualified professional asset managers should be replaced by an "arms length" test, and expensive administrative requirements should be reduced.

The concept of a mandatory pension system -- proposed by the President's Commission on Pension Policy as the Minimum Universal Pension System (MUPS) -- is too costly to the federal budget and too great a burden on small business, and was not supported by the Dialogue's corporate participants. The 3% payroll tax recommended under MUPS would jeopardize the existence of many small marginal

employers who, in the present economic environment, offer the greatest opportunities for growth and the creation of new jobs. A discussion on the idea of faster vesting under private plans led to the conclusion that accelerating program vesting would not deliver substantially more retirement security from large plans, rather it would only proliferate trivial benefit accounts or act as a severance pay program. It was noted that IRS already requires accelerated vesting in small plans.

RECOMMENDATION 2

INDIVIDUAL SAVINGS FOR RETIREMENT SHOULD BE ENCOURAGED

The problems of gaps in coverage and pension adequacy should be addressed through a federal tax system which encourages personal retirement savings.

Individual savings for retirement should be encouraged by extending the current tax treatment under Individual Retirement Accounts to employees covered by corporate pension plans. This would make both voluntary and mandatory employee contributions to retirement savings plans tax deductible. The decision by an existing corporate plan to receive employee contributions should be optional on the part of the employer.

Consideration should be given to the practice in other countries, such as West Germany, where the government matches an individual's retirement savings if they have remained untouched for a specified period of time. This government "bonus" plan would be restricted to lower paid employees (who have minimal deductibility and tax-free accumulation incentives) in order to provide them with a clear incentive to save.

SOCIAL SECURITY

RECOMMENDATION 1

THE FINANCIAL VIABILITY OF THE SOCIAL SECURITY SYSTEM MUST BE ENSURED.

RECOMMENDATION 2

SOCIAL SECURITY SHOULD BE A UNIVERSAL PAY-AS-YOU-GO SYSTEM, FINANCED SOLELY BY PAYROLL TAXES EQUALLY SHARED BETWEEN EMPLOYER AND EMPLOYEE. IT SHOULD REMAIN AN UN-FUNDED PROGRAM.

RECOMMENDATION 3

SOCIAL SECURITY SHOULD NOT BE FINANCED THROUGH GENERAL REVENUES. FUNDING TO MEET SHORT TERM AND LONG TERM NEED SHOULD INCLUDE CONSIDERATION OF CHANGES IN RETIREMENT AGE, COST OF LIVING INDEXING, THE RANGE OF CURRENT BENEFITS, AND THE POSSIBLE TAXABILITY OF SOCIAL SECURITY BENEFITS.

RECOMMENDATION 4

ALL PUBLIC SECTOR EMPLOYEES SHOULD BE COVERED BY SOCIAL SECURITY AS QUICKLY AS POSSIBLE, BEGINNING WITH FEDERAL EMPLOYEES (INCLUDING CONGRESS) FOLLOWED BY STATE AND LOCAL GOVERNMENTS, AS IS PRACTICAL.

RECOMMENDATION 5

INTER-FUND BORROWING IS ACCEPTABLE TO FINANCE ANTICIPATED SHORT-TERM DEFICITS.

RECOMMENDATION 6

THOSE WHO ARE WORKING SHOULD NOT COLLECT SOCIAL SECURITY BENEFITS. BECAUSE SOCIAL SECURITY IS DESIGNED TO PROVIDE INCOME TO RETIRED PEOPLE, THERE IS A CONTINUING NEED FOR A RETIREMENT EARNINGS TEST TO REDUCE BENEFITS AS ANNUAL EARNINGS EXCEED SPECIFIED LEVELS.

RECOMMENDATION 7

THE LEVEL OF BENEFITS PROVIDED SOCIAL SECURITY SHOULD CONTINUE TO BE ONLY A "FLOOR OF PROTECTION" AND SHOULD NOT BE EXPANDED. THE SYSTEM SHOULD BE REVIEWED TO DETERMINE WHICH OF THE BENEFITS IT PROVIDES HAVE STOOD THE TEST OF TIME AND SHOULD CONTINUE AND WHICH, IF ANY, SHOULD BE REDUCED OR EVEN ELIMINATED.

VIII-C HEALTH

OVERVIEW:

The resources required to meet the medical and health needs of an aging population in a society whose citizens expect highly technical, quality services, are of such profound dimension, that the participants in the Dialogue Panel and Workshops on Health, felt it necessary to identify areas for serious evaluation and study; a re-evaluation of the existing health delivery system for all ages, and a redefinition of Long Term Care, the area most likely to cause the greatest cost increases and the deepest social problems in the future.

The participants believe that the health care needs of the elderly population cannot be adequately met within the existing system of health care delivery and financing.

The tendency to add to programs does not solve the problem as today's needs are very different from those of yesterday, and cost constraint by placing limitations on reimbursement under government programs results largely in tax shifting rather than cost savings, so that the population, as a whole, still bears the burden.

Technologic advances in increasing the longevity of the population, in keeping chronically ill people alive longer and in swelling the

ranks of those over 75 years of age, are a major success of this century, but they carry with them the spectre of cost burdens, particularly in the area of long-term care, that call for alternate solutions; new methods of care, and changing attitudes toward personal responsibility for one's own health maintenance.

Corporations have borne a major share of the cost of health care through financing of third party systems and their share of taxes for Medicare. Physicians and other providers are generally insulated from cost concerns by the third party payment system. Most workers are also sheltered from major concerns over health care costs through their coverage under comprehensive plans with all or much of the cost borne by the employer.

The participants fully recognize the severity of the problem of meeting health care needs of an aging population. They believe that neither National Health Insurance nor additions to or minor rearrangements of the existing delivery and financing system are likely to provide a viable solution. The participants also recognize the importance of participation in the solution by the Business Sector.

RECOMMENDATION 1

GOVERNMENT AND THE PRIVATE SECTOR SHOULD UNDERTAKE AN EXTENSIVE STUDY TO EXAMINE THE PROBLEMS OF AND INTERRELATIONSHIP BETWEEN THE TOTAL MEDICARE AND MEDICAID SYSTEMS. THE STUDY SHOULD LOOK FOR ALTERNATIVE SOLUTIONS (POSSIBLY INCLUDING SOME SIGNIFICANT RESTRUCTURING) WHICH WILL REMAIN VIABLE OVER THE LONG-TERM PERIOD.

Responsible participation by both labor and management, as well as other interested parties, should be utilized in conducting the study. It should examine, among other factors:

- The potential for cost containment through appropriate design of the programs.
- The linkage of health care problems with the problems of housing, nutrition, transportation and energy.
- Methods of reducing undue emphasis upon inpatient hospital care, such as greater utilization of home health care and hospices.
- The role of prevention (wellness, health promotion, health maintenance, health education) in lowering costs and improving the health of workers and the elderly.
- The problems of long-term care, how it should be provided and who should finance it.

RECOMMENDATION 2

UNDER EXISTING PROGRAMS FOR THE AGED, GOVERNMENT SHOULD INCREASE INCENTIVES FOR THE EXPANSION OF CARE BY HMOs* AND OTHER ALTERNATE DELIVERY SYSTEMS.

RECOMMENDATION 3

DEVELOPMENT OF INNOVATIVE AND EFFECTIVE MEANS OF SELF CARE BY THE AGED AND MUTUAL HELP AMONG THE AGED SHOULD BE ENCOURAGED BY BOTH GOVERNMENT AND CORPORATIONS. THERE IS CONSIDERABLE OPPORTUNITY FOR THE ELDERLY TO HELP PROVIDE HEALTH SERVICES TO THEIR PEERS. THEIR PARTICIPATION IN HEALTH CARE SYSTEMS WOULD HAVE THE ADDED BENEFIT OF ENHANCING THEIR FEELINGS OF USEFULNESS.

RECOMMENDATION 4

CORPORATIONS SHOULD BE ENCOURAGED TO DEVELOP WELLNESS PROGRAMS INCLUDING PROGRAMS WHICH WOULD BE APPLICABLE TO RETIRED EMPLOYEES.

RECOMMENDATION 5

CORPORATIONS SHOULD WORK WITH LABOR TO REDESIGN BENEFITS TO MEET THE SPECIFIC NEEDS OF THE AGED AND YOUNGER POPULATIONS AND PROVIDE APPROPRIATE INCENTIVES TO CONTAIN THE COSTS OF THE DELIVERY SYSTEM. BOTH MANAGEMENT AND LABOR MUST BE OPEN TO THE NEEDS TO RESTRUCTURE BENEFITS EVEN THOUGH IT MAY INVOLVE TRADEOFFS THROUGH BENEFIT SUBSTITUTIONS.

VIII-D THE MARKETPLACE

The Dialogue marketplace panel served as a workshop to develop recommendations. A background paper was circulated to all participants prior to the Dialogue. It is included in the appendix of this report.

The realistic appraisal of marketing data reported in the background paper, reveal the under-rated strength of the consumer power of the over-55 population. This Age Group accounts for a significantly greater share of consumer expenditures, in a wide variety of products and services, than do persons in younger age groups. The over-55 population numbers 46 million (one out of three U.S. consumer households), and represents over 400 billion dollars in annual income, 28% of all discretionary money, and over one-fourth of consumer purchases on the marketplace.

Although these figures indicate the potential economic power of this Age Group, they do not detract from the needs of those older persons who are either at the poverty level, or alarmingly close to it. Per capita income of households headed by a person in the 55-65 year age category, however, is the highest of any age group, and that of households with an age 65 or older head, is only \$500 below the national norm.

*HMO - Health Maintenance Organization

Why has the over-55 population been ignored by marketers, except for those industries related to health care, and the more recent interest from the Travel and Banking industries? The answer seems to lie in the pervasive stereotypes of this age group which affect company attitudes and creates the impression that older consumers lack significant purchasing power, have limited consumer interests, and that they are all alike.

The Business Community needs to recognize that the over-55 population is comprised of persons of varied income levels, lifestyles, personal characteristics and consumer preferences. Successful marketing will depend upon careful segmentation of this vast consumer group and appropriate research strategies. Market studies of the needs of older persons may well lead to the development of products and services also beneficial to those in other age groups.

The marketing community, by continuing to focus on youth at the neglect of the older consumer, is not only failing to fulfill the real and essential needs of the over-55 population group, but it is also foregoing a major opportunity for its own economic expansion.

RECOMMENDATION 1

SENIOR MANAGEMENT SHOULD MAKE A CORPORATE COMMITMENT TO EDUCATE ALL LEVELS OF COMPANY PERSONNEL CONCERNED WITH CORPORATE MARKETING POLICY ABOUT THE TRUE CHARACTERISTICS OF OLDER CONSUMERS. THE NEEDS AND MARKETPLACE POTENTIAL OF OLDER CONSUMERS SHOULD BE APPRAISED IN FORMULATING MARKETING DECISIONS.

RECOMMENDATION 2

IN ORDER TO SUCCESSFULLY ADDRESS THE OLDER MARKET, SENIOR MANAGEMENT SHOULD COMMUNICATE ITS INTENT TO ALL MANAGEMENT LEVELS AND EMPOWER A CORPORATE TEAM TO DEVELOP MARKET STRATEGIES.

RECOMMENDATION 3

MARKETING STUDIES OF THE OVER-55 AGE GROUP SHOULD BE HIGHLY PERSONALIZED, UTILIZING QUALITATIVE RESEARCH TECHNIQUES SUCH AS FOCUS GROUPS. THEY SHOULD BE CONDUCTED BY INDIVIDUALS SENSITIVE TO THE NEEDS OF OLDER PERSONS, AND SKILLED IN THE DESIGN OF MARKET RESEARCH STUDIES APPROPRIATE TO THIS POPULATION GROUP. OLDER PERSONS SHOULD BE ADEQUATELY REPRESENTED IN THE DESIGN OF SUCH STUDIES.

RECOMMENDATION 4

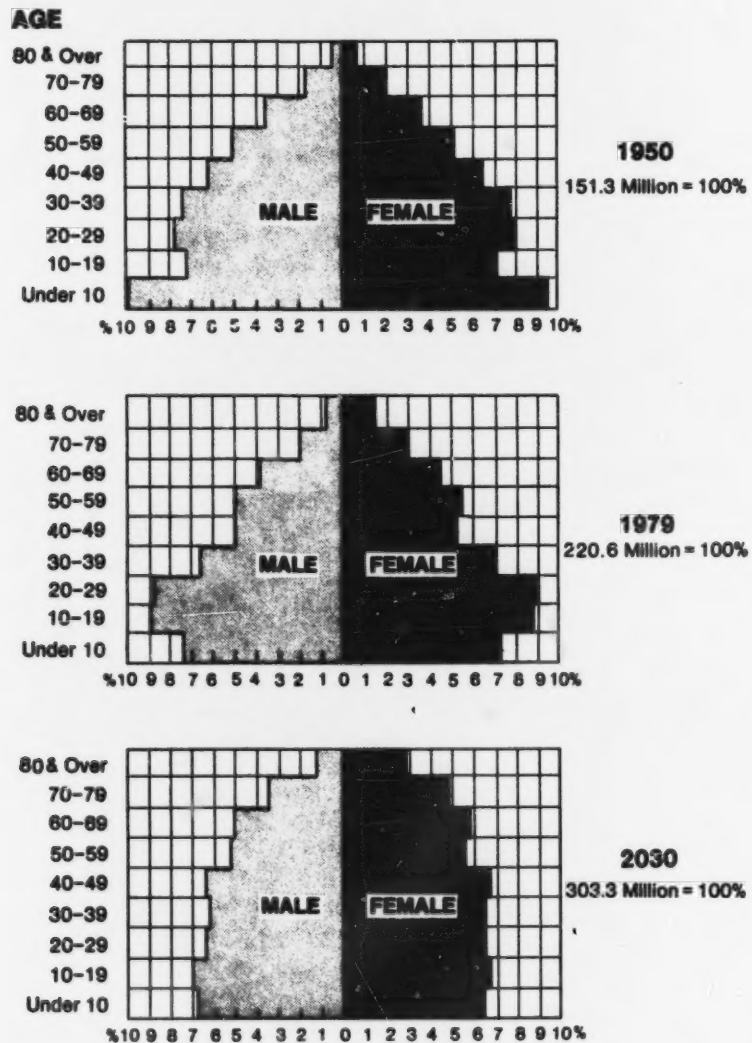
PRODUCT ADVERTISING SHOULD RECOGNIZE THE HETEROGENEITY OF THE OLDER POPULATION. OLDER PERSONS IN THE OVER-55 AGE GROUP SHOULD BE SHOWN WITH DIGNITY IN A VARIETY OF ROLES REFLECTIVE OF THEIR VARIED LIFESTYLES, CONSUMER INTERESTS AND ACTIVITIES IN EVERY DAY LIFE.

RECOMMENDATION 5

CORPORATE AFFAIRS DEPARTMENTS SHOULD MAKE A GREATER COMMITMENT TO SERVICING THE NEEDS OF THE OLDER POPULATION THROUGH A VARIETY OF CONSUMER EDUCATIONAL EFFORTS DIRECTED TO THE OLDER POPULATION AND GROUPS SERVING THIS POPULATION.

FIGURE 1.

Chart 1: Distribution of the U.S. Population, by Age and Sex, 1950, 1979, 2030



Source: U.S. Bureau of the Census, *Current Population Reports*, Series P-25, Nos. 311 (July 2, 1965), 704 (July, 1977), and 870 (January, 1980).

Forces Restraining the Extension of Working Life

Underlying Forces Tending to Prolong Working Life

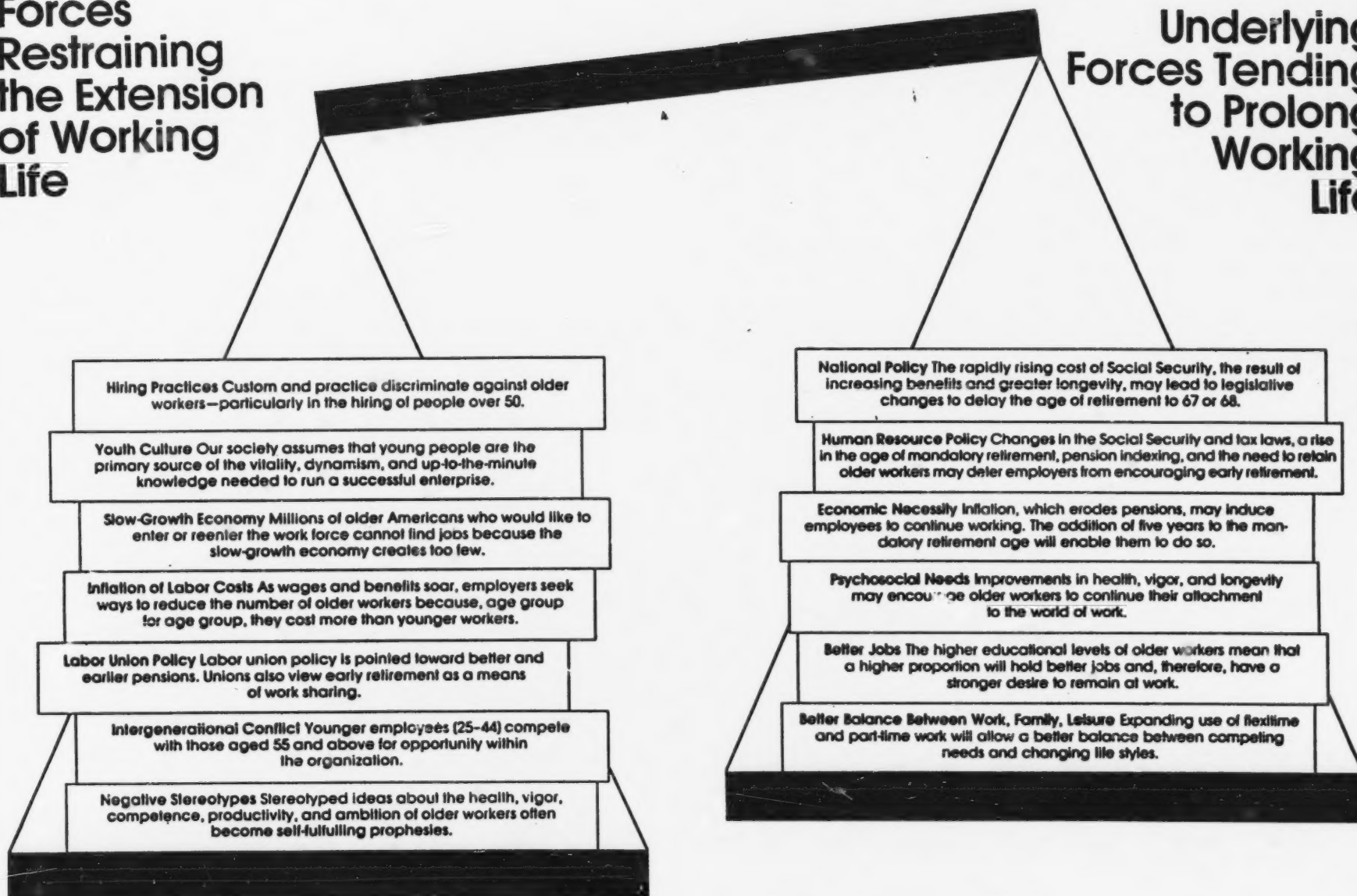


Figure 2

Figure 3

ESTIMATED SOCIAL SECURITY RETIREMENT PENSION
AS A PERCENTAGE OF FINAL SALARY

<u>RANGE LOWER PAID EMPLOYEE</u>	<u>MIDDLE MANAGER</u>
SPAIN	90%
SWEDEN	73% - 37%
ITALY	66%
NETHERLANDS	66% - 29%
PORTUGAL	50%
BELGIUM	60% - 43%
UNITED KINGDOM	60% - 45%
SWITZERLAND	56% - 31%
GERMANY	55% - 40%
FRANCE	50% - 27%
DENMARK	45% - 22%

Source: International Pension Consultants GmbH

Figure 4

AGE OF RETIREMENT

Proportion of the working population of each country saying that the normal age of retirement in their profession is below age 60.

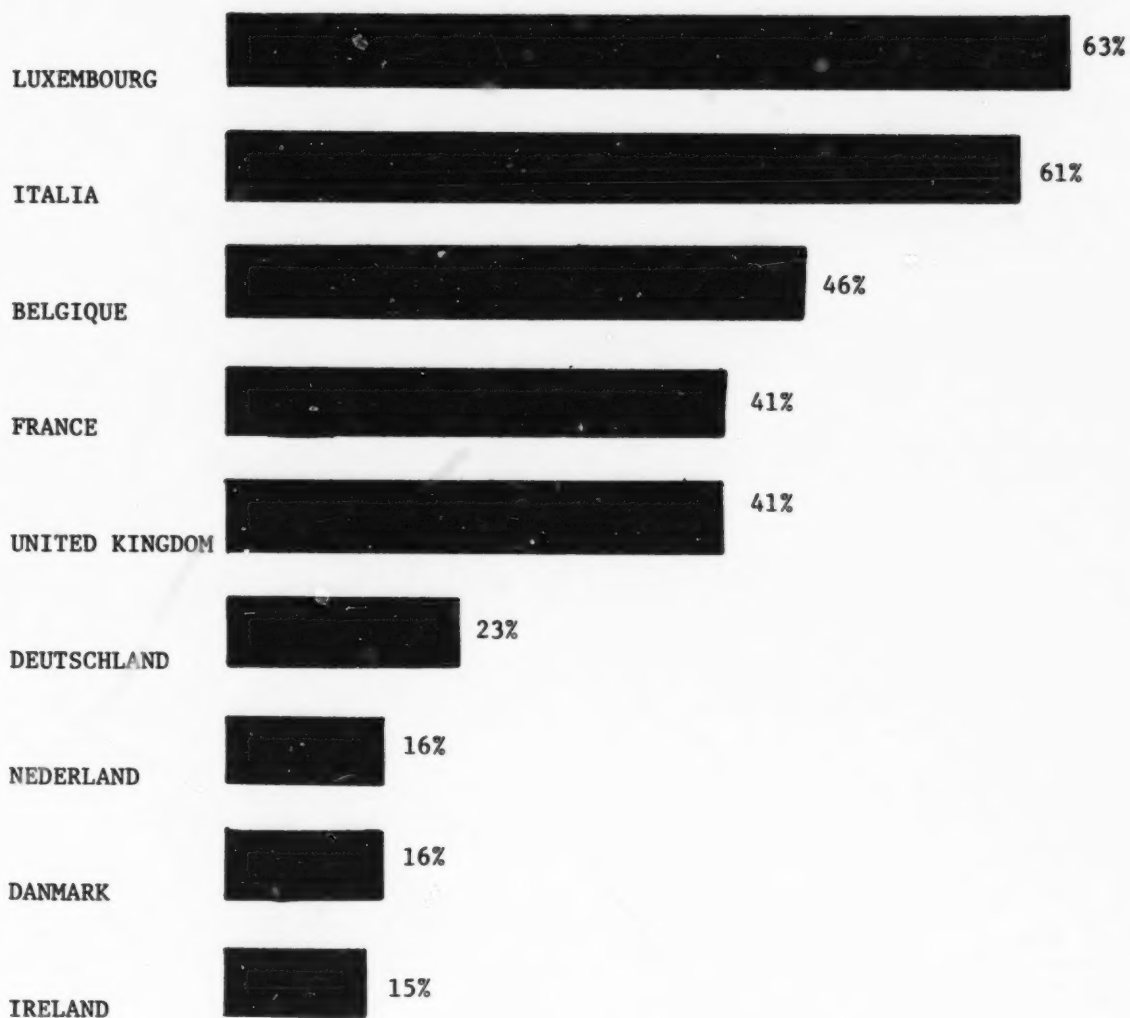
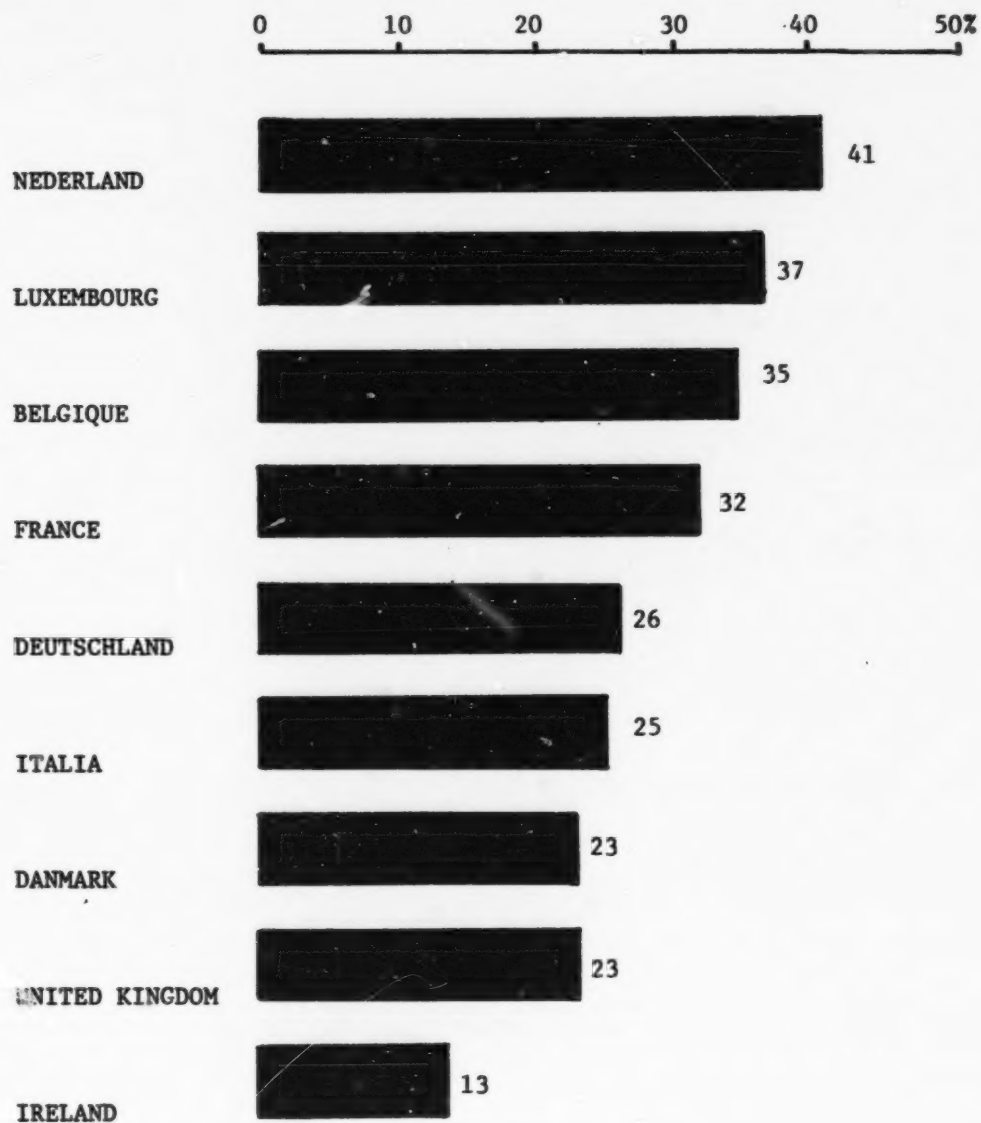


Figure 5

THE TEMPTATION TO RETIRE EARLY

Proportion of the working population in each country intending to stop working completely at retirement age and even before if possible. By country.



N.B. The average for the nine countries is 26%

Figure 6

TOTAL SOCIAL SECURITY CONTRIBUTIONS
AS A PERCENTAGE OF SALARY

	<u>RANGE FOR LOWER PAID EMPLOYEE</u>	<u>MIDDLE MANAGER</u> <u>AS % OF SALARY</u>	
<u>CATEGORY I:</u>	<u>HIGH EMPLOYER LOW EMPLOYEE CONTRIBUTIONS</u>		
	<u>EMPLOYER</u>	<u>EMPLOYEE</u>	<u>TOTAL</u>
SWEDEN	31 - 26	Nil	31 - 26
SPAIN	31.9	5.5	37.4
ITALY	40.5 - 28	7.8 - 5	48.3 - 33
FRANCE	40 - 26	11 - 9	51 - 35
BELGIUM	24 - 20.7	9.7 - 7.3	33.7 - 28
PORTUGAL	23.5	10.5	34
 <u>CATEGORY II:</u>	 <u>HIGH TOTAL CONTRIBUTIONS BUT MORE</u> <u>BALANCED BETWEEN EMPLOYER AND EMPLOYEE</u>		
HOLLAND	24 - 18.5	20 - 15	44 - 33.8
GERMANY	17.5 - 11.5	16.5 - 10.8	34 - 22.3
 <u>CATEGORY III:</u>	 <u>LOWER TOTAL CONTRIBUTIONS</u>		
UNITED KINGDOM	13.7 - 13	6.7 - 6.4	20.4 - 19.4
SWITZERLAND	6.8	5.2	12
DENMARK	0.9 - 0.5	5 - 4.5	5.9 - 5

Source: International Pension Consultants GmbH

Figure 7

INCOME TAX PLUS COMBINED EMPLOYER AND EMPLOYEE
SOCIAL SECURITY CONTRIBUTIONS AS A PERCENTAGE OF SALARY

<u>RANGE LOWER PAID EMPLOYEE</u>	<u>MIDDLE MANAGER</u>
SWEDEN	75% - 89%
PORTUGAL	41% - 60%
ITALY	58% - 56%
FRANCE	57% - 51%
NETHERLANDS	54% - 55%
DENMARK	35% - 51%
SPAIN	44% - 52%
GERMANY	44% - 43%
BELGIUM	44% - 45%
SWITZERLAND	18% - 28%
UNITED KINGDOM	34% - 41%

Source: International Pension Consultants GmbH

APPENDIX

TABLE OF CONTENTS

Page

Dialogue Program

Funders and Co-Sponsors

Supporting National Business Groups,
Planning Group and Staff

List of Participants

Robert O. Anderson's Speech

Marshall McDonald's Speech

Workshop Briefs:

- A. Workforce/Productivity
- B. Social Security/Pensions
- C. Health

Background Papers:

The Older Consumer
Government Mandated Programs

Endorsement Letter from The 1981 White
House Conference on Aging

Press Release

THE NATIONAL DIALOGUE FOR THE BUSINESS SECTOR

PROGRAM

La Quinta, California

March 5-7, 1981

Co-Chairman:

Robert O. Anderson
Chairman of the Board
Atlantic Richfield Company
Los Angeles, California

Co-Chairman:

Marshall McDonald
Chairman of the Board
and Chief Executive
Officer
Florida Power and
Light Company
Miami, Florida

THURSDAY - MARCH 5, 1981

3:00-6:30 p.m.

Registration

6:30-8:30 p.m.

Cocktails and Dinner

8:30-10:00 p.m.

Introductions

Gwyneth G. Donchin, Dialogue Director

Welcome

Robert O. Anderson
Dialogue Co-Chairman

FRIDAY - MARCH 6, 1981

Chairman: Marshall McDonald

8:30 a.m. -
12:30 p.m.

Plenary Session

8:30-9:00 a.m.

Aging: "What Is It All About?
The Psychological and Biological
Aspects of Aging as They Affect the
Dynamics of the Corporation"

Carl Eisdorfer, Ph.D., M.D.
President, Montefiore Hospital and
Medical Center, Bronx, New York

9:00-9:30 a.m.

Discussion

9:30-10:00 a.m.

"What Does Labor Expect From the
Corporate Sector?"

Howard Samuel, President, Industrial
Union Department, AFL/CIO, Washington,
D. C.

10:00-10:30 a.m.	Discussion
10:30-11:00 a.m.	Coffee Break
11:00-12:00 Noon	"What Does Government Expect From the Corporate Sector?" The Honorable Claude Pepper, Chairman Select Committee on Aging, U.S. House of Representatives, Washington, D. C.
12:00-12:30 p.m.	Discussion
12:30-2:00 p.m.	Plenary Luncheon Session "Policy Implications for the Corporation" Marshall McDonald Dialogue Co-Chairman
1:30-2:00 p.m.	Discussion
2:00-3:30 p.m.	Parallel Panel Debates

These debates are designed to surface a range of views and options. On each panel, four or five highly qualified presenters will give succinct five-minute position statements. These will be followed by a 30-minute debate among panelists with direction from the moderator. Interaction between the panelists and the participating executives will follow:

Panel One - Workforce/Productivity

What impact will the future workforce have on productivity? How can the Corporation strengthen its competitive position while responding to the conflicts and changing aspirations of workers, in view of:

- .the changing composition and nature of the workforce;
- .the change in retirement age and age discrimination legislation;
- .employee expectations - training, education, health programming, life planning and retirement options.

Moderator: Kenneth Smith, Ph.D.
Dean, College of Business and Public
Administration, University of Arizona
Tucson, Arizona

Panelists: Robert N. Beck, Director, Benefits
& Personnel Services, International
Business Machines Corporation, Armonk,
New York

David Bushnell, Ph.D., Director
Center for Productivity, The American
University, Washington, D. C.

Donna Cohen, Ph.D., Associate Professor
Department of Psychiatry and Behavioral
Sciences, University of Washington,
Seattle, Washington

Harold Sheppard, Ph.D., Associate Di-
rector, National Institute on Age,
Work and Retirement. National Council
on Aging, Former White House Counselor
on Aging, Washington, D. C.

Gus Tyler, Assistant to the President,
International Ladies Garment Workers
Union, New York, New York

Panel Two - Health

What options exist for the Corporation in responding to
the rapidly escalating costs for financing health care
programs in light of:

- .anticipated, substantial increases in health care re-
quirements and costs attributable to an aging workforce;
- .the changing ratio of retirees to active employees.

Moderator: Willis B. Goldbeck, Executive Director
Washington Business Group on Health,
Washington, D. C.

Panelists: Carl Eisdorfer, Ph.D., M.D., Chairman,
Department of Psychiatry and Behavioral
Sciences, University of Washington,
Washington, D. C.

John Kittredge, Executive Vice President
Prudential Insurance Company of America
Newark, New Jersey

James Vohs, Chairman and President,
Kaiser Foundation Health Plan and Kaiser
Foundation Hospitals, Oakland, California

Richard Wardrop, General Manager
Employee Benefits, Aluminum Company
of America, Pittsburgh, Pennsylvania

Panel Three - Pensions and Social Security

What options exist for the Corporation in responding to
the rapidly escalating costs of pensions, Social Security
and other government mandated programs in light of:

- .deterioration of existing pension programs as a result
of a continuing inflationary environment;
- .new pressures on the Federal Government to respond to
the increased "welfare and security" expectations of
the workforce.

Moderator: Nicholas J. Mammana, Ph.D., Associate Dean, External Affairs, College of Business and Public Administration, University of Arizona, Tucson, Arizona

Panelists: Harrison Givens, Jr., Senior Vice President, Equitable Life Assurance Society of the United States, New York, New York

Woodrow Ginsburg, Director, Center for Community Change, Washington, D.C.

Rita Ricardo-Campbell, Ph.D., Senior Fellow, Hoover Institution, Stanford University, Palo Alto, California

Thomas C. Woodruff, Ph.D., Executive Director, President's Commission on Pension Policy, Washington, D. C.

Panel Four - The Marketplace

What impact will the 55+ population have on the marketplace?

- .as consumers (needs, demands, characteristics and purchasing power);
- .as owners (role of shareholders, influence on financial markets);
- .as a political force with influence on legislation;
- .as an influence on future research and development of new products design and adaptation, and services.

This panel will have a different format. A brief presentation will be made on the demographics and characteristics of the 55+ population. The myths about aging which affect market analysis will be explored. This presentation will be followed by questions posed by the moderator to the respondents.

Moderator: Virginia Boyack, Ph.D., Vice President Life Planning and Educational Development, California Federal Savings and Loan Association, Los Angeles, California

Presenter: Carole Allan, Ph.D., Allan and Associates Washington, D. C.

Respondents: Meredith Fernstrom, Vice President, Consumer Affairs, American Express Company, New York, New York

Rober T. Keane, Vice President of Public Affairs, ITT Continental Baking Company, Rye, New York

3:30-4:00 p.m.

Coffee Break

4:00-4:30 p.m.

Plenary Session

Feedback from Panel Moderators

4:30-6:00 p.m. Dialogue Discussion: Who Will Share the Responsibility?

Discussion Leader: William Kieschnick, President
Atlantic Richfield Company, Los Angeles,
California

Discussants: Carl Eisdorfer, Ph.D., M.D., President,
Montefiore Hospital and Medical Center,
Bronx, New York

Jack A. Meyer, Ph.D., Resident Fellow,
American Enterprise Institute, Washing-
ton, D. C.

William Robbins, Director, Personnel,
Imperial Chemical Industries-Europa
Brussels, Belgium

Howard Samuel, President, Industrial
Union Department, AFL/CIO, Washington,
D.C.

William Seidman, Vice Chairman, Phelps-
Dodge Corporation, New York, New York

8:00 p.m. Poolside Western Dinner

SATURDAY - MARCH 7, 1981

Chairman: Robert O. Anderson

7:45-9:00 a.m. Plenary Breakfast Session

"The Experience of the European
Corporations"

William Robbins, Director, Personnel
Imperial Chemical Industries-Europa
Brussels, Belgium

9:00-9:30 a.m. Plenary Session

National Activities of the 1981 White
House Conference on Aging

Policy Formulation by the 1981 White
House Conference on Aging

Jarold Kieffer, Ph.D., Acting Director
1981 White House Conference on Aging
Washington, D. C.

The Tasks of the Workshops

Norman B. Solomon, Director, The
EXECUTIVE BOARD, Phoenix, Arizona

9:30 a.m.-12:30 p.m. Parallel Workshops

Each workshop will have a chairman, one or more resource persons,
a recorder and participating executives. The workshop partici-
pants will develop a set of reports on the following topics:

- .Corporate expectations (or policy recommendations) for the 1981 White House Conference on Aging;
- .Corporate expectations directed toward Labor;
- .strategic alternatives for the Corporation;
- .statement of Corporate concerns.

Workshop One - Health

Developing and Financing Programs Related to the Health Status of the Older Workforce and Older Population

Chairman: John Kittredge, Executive Vice President, Prudential Insurance Company of America, Newark, New Jersey

Workshop Brief: Willis Goldbeck, Director, Washington Business Group on Health, Washington, D.C.

Workshop Two - Social Security/Pensions

Developing and Financing Programs Concerned with Insuring Adequacy of Income in Retirement

Chairman: George Cowles, Senior Vice President, Bankers Trust, New York, New York

Workshop Brief: Harrison Givens, Jr., Senior Vice President, Equitable Life Assurance Society of the United States, New York

Workshop Three - Workforce/Productivity

Building and Maintaining a Productive Workforce

Chairman: Lucien Wulsin, Chairman, Baldwin Corporation, Denver, Colorado

Workshop Brief: David Bushnell, Ph.D., Director Center for Productivity, The American University, Washington, D. C.

12:30-2:30 p.m. Plenary Luncheon Session
Reports from the Workshop Chairmen

2:30 p.m. Adjournment

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Mini-Conferences have been recognized by the 1981 White House Conference on Aging and convened by organizations that wished to focus attention on special aging issues.

Recommendations of mini-conferences are not the recommendations of the official delegates to the Conference or the U.S. Department of Health and Human Services. They represent the views of the participants in the mini-conferences. They are being made available to the delegates as part of their background materials for the national conference.

The following Mini-Conference Reports have been published:

Recreation, Leisure and Physical Fitness
Aging and Alcoholism
Energy Equity and the Elderly
Public Voluntary Collaboration: A Partnership in contributing to independent living for the aging
National Health Security
Concerns of Low-Income Elderly
Vision and Aging
Alzheimer's Disease
Arts, the Humanities and the Older Americans
Older Women
Life-Long Learning for Self-Sufficiency
The Urban Elderly
Rural Aging
Long-Term Care
Non Services Approaches to Problems of the Aged
Spiritual and Ethical Value System Concerns
Transportation for the Aging
American Indian Alaskan Native Elderly
Pacific Asian Elderly "Pacific/Asians: The Wisdom of Age"
Environment and Older Americans
Rights of the Institutionalized Elderly and the Role of the Volunteer
Veterans
Mental Health of Older Americans
Saving for Retirement
Hispanic Aging
Challenging Age Stereotypes in the Media
Oral Health Care Needs of the Elderly
Housing for the Elderly
Consumer Problems of Older Americans
Senior Centers
Elderly Hearing Impaired People
Black Aged
Legal Services for the Elderly
Simplifying Administrative Procedures and Regulations in Programs Affecting the Elderly
Intergenerational Cooperation and Exchange
Self-Help and Senior Advocacy
Euro-American Elderly
Inter-relationship of Government, Private Foundations, Corporate Grant-Makers and Unions
"The National Dialogue for the Business Sector"
Foot Health and Aging
Pacific Islanders Jurisdiction
Gerontological Nursing